



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

June 22, 2009

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

SUPPLEMENTAL INFORMATION REGARDING ITEM NO. 39-E: REQUEST FOR CONSIDERATION OF CALIFORNIA STATE ASSOCIATION OF COUNTIES PROPOSAL TO SUPPORT A 5-CENT INCREASE IN THE GASOLINE TAX (ITEM NO. 39-E, AGENDA OF JUNE 23, 2009)

It has just come to our attention that the California State Association of Counties (CSAC) has issued minutes from the June 17, 2009 Special Board of Directors Meeting that include a recordation of the action taken by the Board of Directors that is different than that reported in the CSAC Executive Director's June 19, 2009 Memorandum to his Board of Directors, which was the source document used in Item 39-E Board letter. Specifically, the following excerpt from meeting minutes of the June 17 meeting record the action of the CSAC Board of Directors as:

"A discussion ensued regarding the Task Force recommendation and it was decided to separate the recommendation into three parts:

Motion and second to reaffirm opposition to the Highway User Tax Account (HUTA) takeaway. Motion carried unanimously.

Motion and second to support a 5-cent increase in the gas tax as an alternative to the taking of the HUTA funds for two years to pay debt service and, if the 5-cent tax extends beyond the two-year taking, it should be shared equally between the state and cities and counties. Motion carried (18 in favor, 2 opposed, 19 abstained).

Motion and second to support recommendation that if a tax proposal exceeds the transportation debt service needs (12-15 cents), CSAC supports these additional fees or taxes in a manner that ensures equal distributed between the state and local governments.
Motion withdrawn."

"To Enrich Lives Through Effective And Caring Service"

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Each Supervisor
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In contrast to this apparently adopted motion, the June 19 Executive Director's memorandum included the following as the recommendation:

"CSAC opposes the HUTA takeaway and ongoing suspension. CSAC supports a fee or user tax as replacement revenue to service debt (5-cents) related to transportation bonds to mitigate the HUTA loss. Further, should such a proposal exceed the transportation debt service needs (12-15 cents), CSAC supports these additional fees or taxes in a manner that ensures equal distribution between State and local governments."

The differences between the apparent June 17 CSAC Board of Directors action and recommendation in the CSAC Executive Director's June 19 report are:

- The adopted motion only speaks to a 5-cent increase in the gasoline tax for two years.
- The adopted motion provides that if the extension of the 5-cent increase goes beyond the two years, then the revenue from the increase should be shared equally between the State and cities and counties. The intent of this component of the action is that the sharing shall be according to the current formula, which is 50 percent to the State, 25 percent to counties, and 25 percent to cities.
- The mention of any increase beyond the 5-cent increase (i.e., reference to 12-15 cents) and the distribution of such additional increase were not included in the CSAC Board of Directors action as the motion was withdrawn.

We are attaching for your review and consideration both the June 17 CSAC Special Board of Directors meeting minutes and the June 19 Memorandum from the CSAC Executive Director to the Board of Directors.

If you have questions, please call me or your staff may contact Lari Sheehan at (213) 893-2477, or via e-mail at lsheehan@ceo.lacounty.gov.

WTF:LS:os

Attachments

c: Executive Officer, Board of Supervisors
Acting County Counsel
Director of Public Works

CALIFORNIA STATE ASSOCIATION OF COUNTIES
SPECIAL BOARD OF DIRECTORS MEETING
Wednesday, June 17, 2009
Via Conference Call

MINUTES

Presiding: Gary Wyatt, President

1. ROLL CALL

Alameda	absent	Orange	absent
Alpine	absent	Placer	absent
Amador	absent	Plumas	absent
Butte	Bill Connelly	Riverside	John Tavaglione
Calaveras	Merita Callaway	Sacramento	Roger Dickinson
Colusa	Mark Marshall	San Benito	absent
Contra Costa	Federal Glover	San Bernardino	Paul Biane
Del Norte	David Finigan	San Diego	Greg Cox
El Dorado	absent	San Francisco	absent
Fresno	absent	San Joaquin	Larry Ruhstaller
Glenn	John Viegas	San Luis Obispo	Bruce Gibson
Humboldt	Mark Lovelace	San Mateo	Rich Gordon
Imperial	Gary Wyatt	Santa Barbara	Joni Gray
Inyo	Susan Cash	Santa Clara	Liz Kniss
Kern	Jon McQuiston	Santa Cruz	absent
Kings	Tony Oliveira	Shasta	absent
Lake	absent	Sierra	Lee Adams
Lassen	absent	Siskiyou	Jim Cook
Los Angeles	Don Knabe	Solano	Mike Reagan
Madera	absent	Sonoma	Valerie Brown
Marin	Susan Adams	Stanislaus	Vit Chiesa
Mariposa	Lyle Turpin	Sutter	absent
Mendocino	Carre Brown	Tehama	Robert Williams
Merced	absent	Trinity	Judy Pflueger
Modoc	Jeff Bullock	Tulare	Phillip Cox
Mono	"Hap" Hazard	Tuolumne	Richard Pland
Monterey	Fernando Armenta	Ventura	Kathy Long
Napa	Brad Wagenknecht	Yolo	Mike McGowan
Nevada	absent	Yuba	Roger Abe

The presence of a quorum was noted.

2. HIGHWAY USER TAX ACCOUNT (HUTA) FUNDING

Staff reported that the State Budget conference Committee (BCC) acted on Thursday, June 11 to "take" two years of nearly the entire local portion of the gas tax or Highway User Tax Account (HUTA) funding for general fund relief. This is equivalent to about \$1.7 billion, with this loss shared equally between cities and counties.

During the February State Budget negotiations, there was agreement between the Governor and all caucuses to increase the gas tax or HUTA by 12-cents with a significant amount initially directed towards debt service on the transportation bonds. The remaining amount was dedicated to the state system only. This was a major departure from past increases in the gas tax where a portion has always been dedicated towards the local system, which represents 82 percent of the state's maintained miles. This proposal was eliminated from the state budget package at the last minute in order to secure the final Senate vote.

The gas tax is considered a "user fee" with a strong nexus towards investment for transportation purposes related to automobile use. There is a concerted effort to revisit an increase in the gas tax in current state budget negotiations. Should a gas tax increase proposal be considered, counties are not expected to share in a portion of that increase without CSAC support.

On Monday, June 15, the CSAC Budget Task Force discussed the BCC action and concluded that the impacts and threat of the HUTA diversion may exceed that of the Proposition 1A borrowing. The Task Force recommended the following action:

CSAC opposes the HUTA takeaway and ongoing suspension. CSAC supports a fee or user tax as replacement revenue to service debt (5-cents) related to transportation bonds to mitigate the HUTA loss. Further, should such a proposal exceed the transportation debt service needs (12-15 cents), CSAC supports these additional fees or taxes in a manner that ensures equal distribution between the state and local governments.

A discussion ensued regarding the Task Force recommendation and it was decided to separate the recommendation into three parts.

Motion and second to reaffirm opposition to the Highway User Tax Account (HUTA) takeaway. Motion carried unanimously.

Motion and second to support a 5-cent increase in the gas tax as an alternative to the taking of the HUTA funds for two years to pay debt service and, if the 5-cent tax extends beyond the two-year taking, it should be shared equally between the state and cities and counties. Motion carried (18 in favor, 2 opposed, 19 abstained).

Motion and second to support recommendation that if a tax proposal exceeds the transportation debt service needs (12-15 cents), CSAC supports these additional fees or taxes in a manner that ensures equal distributed between the state and local governments. Motion withdrawn.

Staff was directed to negotiate with the Legislature to the best of their ability based on existing CSAC policy which is as follows:

"Existing funding levels must be maintained with historical shares of current funding sources ensured for counties (e.g. state and federal gas tax increases, etc.). Although significant transportation revenues are raised at the local level through the imposition of sales taxes, additional state and federal revenue sources are needed such as additional gas and sales taxes, congestion pricing, public-private partnerships, and user or transaction fees to provide a diverse financing strategy. Further, additional revenue raising authority at the local and regional level is needed as well as other strategies as determined by individual jurisdictions and regions."

Meeting adjourned.



MEMORANDUM

June 19, 2009

1100 K Street
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Sacramento
California
95814

Telephone
916.327-7500

Facsimile
916.441.5507

To: Board of Directors
California State Association of Counties

From: Paul McIntosh
Executive Director

Re: **Special Board of Director's Conference Call: Budget Actions to
"Take" the Local Share of Gas Taxes: Potential Solutions**

The Budget Conference Committee (BCC) acted on Thursday, June 11 to "take" two years of nearly the entire local portion of the gas tax or Highway User Tax Account (HUTA) funding for general fund relief. This is equivalent to about \$1.7 billion, with this loss shared equally between cities and counties. A legal opinion (copy attached) has been issued challenging the Constitutionality of "taking" the local share of the gas tax, but the Governor and Legislature have not responded to this challenge.

In addition to the HUTA loss, we understand that the Department of Finance (DOF) intends to borrow the first two quarters of the local portion of Prop 42 for cash flow purposes for an additional loss in FY 2009-10 of \$288 million—shared equally by cities and counties.

In addition to the legal opinion, attached for your reference is a chart that outlines the above losses by county and a chart that outlines the job losses by county as a result of the permanent loss of HUTA.

Based upon existing policy, CSAC has supported a 5-cent increase in the gas tax as an alternative to the HUTA loss. The BCC did not discuss this alternative in making their decision to take the funds for two years.

During the February budget negotiations there was agreement between the Governor and all caucuses to increase the gas tax or HUTA by 12-cents with a significant amount initially directed towards debt service on the transportation bonds. The remaining amount was dedicated to the State system only. This was a major and alarming departure from past increases in the gas tax where a portion has always been dedicated towards the local system, which represents 82 percent of the State's maintained miles. This proposal was eliminated from the budget package at the very last moment in order to secure the last remaining Senate vote.

The gas tax is considered a "user fee" with a strong nexus towards investment for transportation purposes related to automobile use. There is a concerted effort to revisit an increase in the gas tax in current budget negotiations. There is significant concern that the proposal from the Legislature will again only include a State share, with no local apportionment. This would be very problematic and contrary to existing CSAC policy, which states:

"Existing funding levels must be maintained with historical shares of current funding sources ensured for counties (e.g. state and federal gas tax increases, etc.).

Although significant transportation revenues are raised at the local level through the imposition of sales taxes, additional state and federal revenue sources are needed such as additional gas and sales taxes, congestion pricing, public-private partnerships, and user or transaction fees to provide a diverse financing strategy. Further, additional revenue raising authority at the local and regional level is needed as well as other strategies as determined by individual jurisdictions and regions."

Should a gas tax increase proposal be considered, counties are not expected to share in a portion of that increase without CSAC support. This would be detrimental to current efforts to seek an increase in funding to address an identified \$71 billion shortfall over the next decade just to preserve the existing local system.

On Monday, June 15, the CSAC Budget Task Force discussed the BCC action and concluded that the impacts and threat of the HUTA diversion may exceed that of the Proposition 1A borrowing. For these reasons, the Task Force agreed with staff that a CSAC Board of Director's meeting was necessary to discuss options to mitigate this loss and subsequent impacts. The recommendations discussed are outlined below.

Recommendations: CSAC opposes the HUTA takeaway and ongoing suspension. CSAC supports a fee or user tax as replacement revenue to service debt (5-cents) related to transportation bonds to mitigate the HUTA loss. Further, should such a proposal exceed the transportation debt service needs (12-15cents), CSAC supports these additional fees or taxes in a manner that ensures equal distribution between the State and local governments.